



**MAQUASSI HILLS
LOCAL MUNICIPALITY**

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2011

Maquassi Hills Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

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Maquassi Hills Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

General information

Members of the Council

G.V. Kgabi	Mayor
O.S. Duffy	Speaker
K.G. Mojela	Member
G.J. van Zyl	MEC Admin Services
N.L. Tshingilane	Member
K.S. Seakane	Member
M.S. Sejeso	MEC Engineering Services
K.N. Kgaodi	Member
M.D. Matete	MEC Community Services
K.A. Mogapi	Member
O.H. Botsietseng	Member
T.S. Selete	MEC Finance
G.P. Motswagole	Member
S.J. Lesie	Member
N.W. Ntiane	Member
M.D. Sereotsi	Member
M.E. Motaung	Member
D.K. Mohadi	Member
B.J. Mahumapelo	Member
G.J. Muller	Member
J. Pheiffer	Member

Municipal Manager

L. Ralekgetho

Chief Financial Officer

C. Wenum

Grading of Local Authority

GRADE 5

Auditors

Auditor-General
Northwest Province
Potchefstroom Offices

Bankers

ABSA Bank Limited
Wolmaransstad

Maquassi Hills Ltd
ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2014

General information (continued)

Registered Office:

Physical address:

Postal address:

Telephone number:

Fax number:

E-mail address:

ocal Municipality
IAL STATEMENTS
ad 30 June 2011

19 Krugerstreet, Wolmaransstad

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Wolmaranstad
2630

Private Bag X3
Wolmaransstad
2630

(018) 596 1067

(018) 596 1555 or (018) 596 2436

wolmuns@lantic.net

Maquassi Hills Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 73, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

DATE

Maquassi Hills Local Municipality STATEMENT OF FINANCIAL POSITION for the year ended 30 June 2011			
	Note	2011 R	2010 R
ASSETS			
Current assets			
Cash and cash equivalents	1	4 375 024	12 681 359
Trade and other receivables from exchange transactions	2	14 147 045	9 024 186
Other receivables from non-exchange transactions	3	6 256 868	3 636 038
Inventories	4	856 866	629 173
Investments	5	673 430	25 809 797
Current portion of receivables	6	-	-
VAT receivable	14	10 759 356	11 669 353
Non-current assets			
Non-current receivables	6	-	-
Property, plant and equipment	7	478 219 984	440 594 236
Intangible assets	8	50 840	378 437
Investment property carried at cost	9	-	-
Total assets		515 339 413	504 422 581
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	11	34 897 627	54 656 385
Consumer deposits	12	1 798 794	1 432 270
Bank overdraft	1	21 209 710	9 593 188
Current portion of unspent conditional grants and receipts	16	5 110 062	31 940 968
Current portion of borrowings	17	1 130 960	8 492 632
Non-current liabilities			
Non-current borrowings	17	53 825 908	50 300 359
Employee benefit information	52	14 527 667	12 946 169
Total liabilities		132 500 727	169 361 971
Net assets		382 838 686	335 060 610
NET ASSETS			
Accumulated surplus / (deficit)		382 838 686	335 060 610
Total net assets		382 838 686	335 060 610

Maquassi Hills Local Municipality STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2011			
	Note	2011 R	2010 R
Revenue			
Property rates	18	19 163 696	16 895 719
Service charges	19	84 504 890	75 305 589
Rental of facilities and equipment	20	332 697	282 395
Interest earned - external investments	21	681 038	2 749 709
Interest earned - outstanding receivables	22	12 222 069	9 637 514
Fines		6 771 041	8 046 499
Dividends		10 940	2 859
Licences and permits		8 854 783	8 114 076
Government grants and subsidies	23	122 505 803	83 981 277
Other income	24	1 283 484	1 919 377
Total revenue		256 330 442	206 935 014
Expenses			
Employee related costs	25	47 760 140	43 047 466
Remuneration of councillors	26	4 409 588	4 231 738
Debt impairment		50 554 103	110 089 916
Depreciation and amortisation expense	27	23 823 725	21 060 804
Repairs and maintenance		2 082 094	2 965 518
Finance costs	28	2 937 202	3 346 321
Bulk purchases	29	32 443 821	33 035 138
Contracted services	30	6 881 876	9 091 040
General expenses	31	36 867 894	38 972 886
Total expenses		207 760 442	265 840 826
Gain / (loss) on sale of assets	32	(791 924)	68 486
Surplus / (deficit) for the period		47 778 076	(58 837 326)

Maquassi Hills Local Municipality
STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2011

	Total: Net Assets
Note	R
Balance at 30 June 2009	393 897 934
Changes in accounting policy	36 -
Correction of prior period error	37 -
Restated balance	393 897 934
Surplus / (deficit) on revaluation of property of property, plant and equipment	-
<i>Property plant and equipment purchases</i>	-
<i>Depreciation</i>	-
<i>Sale of asset</i>	-
<i>Depreciation on sale of asset</i>	-
Net gains and losses not recognised in the statement of financial performance	-
Adjustment accumulated surplus/(deficit)-employee benefits	-
Transfers to / from accumulated surplus/(deficit)	-
Surplus / (deficit) for the period	(58 837 326)
Balance at 30 June 2010	335 060 609
Surplus / (deficit) on revaluation of property of property, plant and equipment	-
<i>Property plant and equipment purchases</i>	-
<i>Depreciation</i>	-
<i>Sale of asset</i>	-
<i>Depreciation on sale of asset</i>	-
Net gains and losses not recognised in the statement of financial performance	-
Transfers to / from accumulated surplus/(deficit)	-
Surplus / (deficit) for the period	47 778 076
Balance at 30 June 2011	382 838 685

Maquassi Hills Local Municipality CASH FLOW STATEMENT for the year ended 30 June 2011			
	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		289 649 820	183 323 722
Sales of goods and services		54 980 367	49 003 958
Grants		122 505 803	80 414 144
Interest received		681 038	2 749 709
Other receipts		111 482 612	51 155 911
Payments		246 777 143	136 609 870
Employee costs		52 169 728	47 648 020
Suppliers		191 670 213	85 615 529
Interest paid		2 937 202	3 346 321
Net cash flows from operating activities	33	42 872 677	46 713 852
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(84 095 507)	(27 080 046)
Proceeds from sale of fixed assets		-	(68 486)
Net cash flows from investing activities		(84 095 507)	(27 148 532)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		4 730 631	
Repayment of borrowings		(8 567 027)	(3 518 684)
Net cash flows from financing activities		(3 836 396)	(3 518 684)
Net increase / (decrease) in net cash and cash equivalents		(45 059 225)	16 046 636
Net cash and cash equivalents at beginning of period		28 897 969	12 851 333
Net cash and cash equivalents at end of period	34	(16 161 256)	28 897 969

Maquassi Hills Local Municipality
SUMMARY OF ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 30 June 2011

1 BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

The annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next twelve months.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand (ZAR) which is also the functional currency of the municipality and are rounded to the nearest Rand.

1.2 Going concern assumption

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant estimates, judgements and assumptions

The presentation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results may differ from these estimates.

All significant judgements and underlying assumptions are reviewed on a constant basis.

Specific areas where these significant estimation uncertainties as well as critical judgements and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following:

1.3.1 Trade receivables / held to maturity investments and loans and receivables

The municipality assesses its trade receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

1.3.2 Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date.

A provision is recognised when:

- The municipality has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

Contingent provisions

Contingencies recognised in the current year required estimates and judgements.

1.3.3 Fair value estimation

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest that is available to the municipality for similar financial instruments.

1.3.4 Allowance for credit losses

On trade and other receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows computed at initial recognition.

1.3.5 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair value less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may impact our estimations and may then require material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities.

If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

1.3.6 Effective interest rate

The municipality uses the interest rate utilised by the municipality for any respective month when performing billing, which rate is prime plus one percent, to discount future cash flows.

1.3.7 Available for sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

1.3.8 Allowance for slow moving, damaged or obsolete stock

An allowance to write down stock to the lower of cost or net realisable value is made. These estimates of the selling price and direct cost to sell on certain inventory items is made by management. The write down is included in the operation surplus note.

2 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

3 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND CORRECTION OF ERRORS - ACCOUNTING STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED

3.1 Internal Reserves

3.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. The following provisions are set for the creation, feasibility and utilisation of the CRR:

- The cash funds which back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Municipality.
- The CRR can only be utilised to finance items of property, plant and equipment and may not be used for the maintenance of these items.
- The CRR is reduced and the accumulated surplus/(deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

3.1.2 Capitalisation Reserve (CR)

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

3.1.3 Government Grant Reserve (GGR)

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government grants reserve equal to the Government grant recorded as revenue in the Statement of Financial Performance.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed through a government grant is disposed off, the balance in the Government grant reserve relating to the item is transferred to the accumulated surplus/(deficit).

3.1.4 Donations and public contributions

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance. The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the donations and public contributions reserve relating to such item is transferred to the accumulated surplus/(deficit).

All movements in Donations and Public Contributions are reflected in the Statement of Changes in Net Assets.

3.2 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset until such time that the asset is ready for its intended use.

The amount of borrowing costs eligible for capitalization is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investments of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalized do not exceed the total borrowing costs incurred.

The capitalization of borrowing costs commences when all the following conditions have been met:

- Expenditure for the asset have been incurred;
- Borrowing costs have been incurred; and
- Activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realizable value, the carrying amount is written down or written off in accordance with the accounting policy on impairment of Assets. In certain circumstances the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Borrowing costs (cont.)

Capitalisation is suspended during extended periods in which active development is interrupted.

The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred. All other borrowing costs are recognized as an expense in the period in which they are incurred.

3.3 Revenue from exchange transactions

Revenue from exchange transactions refers to the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets to the other party in exchange.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

3.3.1 Revenue from sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction flow to the municipality, and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

3.3.2 Revenue from rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of the transaction can be measured reliably when the following conditions are met:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The stage of completion of the transaction at the reporting date can be measured reliably, and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from rendering of services (cont.)

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

Finance income is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a time proportionate basis over the term of the lease agreement.

3.3.3 Revenue arising from the application of the approved tariffs.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

3.3.4 Interest, dividends and royalties

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount can be measured reliably.

Interest is recognised in surplus or deficit when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

3.4 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income is recognised.

Revenue from non-exchange transactions (cont.)

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

3.5 Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

3.6 Events after the reporting date

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the Auditor General and executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

3.7 Financial instruments

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables.

Initial recognition

Financial instruments are initially recognised at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

3.7.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that

Investments (cont.)

the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

3.8 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

3.8.1 Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

3.8.2 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recognised at fair value.

3.8.3 Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Trade and other payables from exchange transactions - A financial liability that is not measured at fair value through profit or loss. Stated at their nominal value.

Financial liabilities are classified according to substance of contractual agreements entered into.

3.8.4 Gains and losses

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process.

3.8.5 Employee benefits

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Post-retirement medical benefits

Contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds are actuarially valued on a bi-annual basis on the projected unit credit method basis.. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

A provision is maintained in respect of the liability to employees relating to post-retirement benefits, such as medical aid contributions and long-service awards.

3.8.6 Provision for credit losses

The provision for credit losses is equivalent to 100% of amounts owed to the municipality categorised as follows:

- 100% of outstanding balance on all inactive accounts as at 30 June of the year under review.
- 100% of outstanding amounts on all indigent accounts as at 30 June of the year under review.
- A percentage equal to the non-payment ratio for the year under review for each debtor account, calculated on the outstanding amount.
- Payment ratios in excess of 100% were utilised as 100% and no provision for credit losses were made in such circumstances,

Impairment is done on debtor accounts with zonings of residential and agricultural.

The provision for credit losses has been deducted from the amount outstanding by debtors at the end of the financial year.

3.8.7 Unauthorised expenditure

Unauthorised expenditure means:

- Overspending of a vote or a main division within a vote; and
- Expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statements of financial performance.

3.8.8 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Local Government: Municipal Finance Management Act, (Act No. 56 of 2003), the Municipal Systems Act, (Act No. 32 of 2000), the Public Office Bearers Act, (Act No. 20 of 1998) or the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where subsequently recovered, it is accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified in the current financial year and which was not condoned by National Treasury or the council is recorded in the Register for Irregular Expenditure. If liability for the expenditure can be attributed to a person, a debt account is created for that person. Steps are then taken to recover the amount from the person. If recoverability is not possible, the accounting officer or council may write off the amount as debt impairment and disclose the details properly in the notes to the financial statements.

3.8.9 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where subsequently recovered, it is accounted for as revenue in the Statement of Financial Performance.

3.8.10 Related parties

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

Key management personnel, and close members of the family of key management personnel;

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Key management personnel

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has the authority. The council, together with the Municipal Manager and Section 57 employees has the authority and responsibility to plan and control the activities of the entity, to manage the resources of the entity and for the overall achievement of entity objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the reporting entity.

3.8.11 Inventories

Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method (F.I.F.O).

The municipality has disclosed the full value of water stock as at year end. Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Subsequent measurement (cont.)

Consumables are written down with regard to their age, condition and utility.

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll that came into effect on 1 July 2009. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs if the costs occur frequently and are separately identifiable.

Cost of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Consumables are written down with regard to their age, condition and utility.

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll that came into effect on 1 July 2009. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs if the costs occur frequently and are separately identifiable.

3.8.12 Leases

Finance leases

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognized at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognized at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest.

In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

3.8.13 Investment property

Initial measurement

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at fair value once it meets the definition of investment property. The fair value is determined by the Municipal Valuer on an annual basis. Where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Subsequent measurement – Fair value model

Investment property is measured using the fair value model.

3.8.14 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, are owner-occupied and are expected to be used during more than one period.

Property, plant and equipment are recognised as an asset when:

- It is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- The cost of the item can be measured reliably.

Property, plant and equipment are measured at cost, less accumulated depreciation and any impairment losses, except in the case of land and buildings, where the properties are valued by the municipal valuer on an annual basis. The market value allocated to these properties is split between land and buildings resulting from the indefinite useful life of land. These properties are stated at fair value less depreciation in the case of buildings and fair value in the case of land. Land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value; its cost is measured at the carrying amount of the asset given up.

The cost of an item of property, plant and equipment comprises of its purchase price, including other costs attributable to bring the asset to the location and condition necessary for it to be capable in the manner intended by management. Trade discounts import duties and non-refundable purchase taxes and any directly attributable costs

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the original best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Where an item of property, plant and equipment is acquired at no cost, it is initially recognised at its fair value as at the date of acquisition. Incomplete construction work is stated at historical cost and depreciated only when the asset is commissioned into use.

Property, plant and equipment (cont.)

Depreciation is calculated on the depreciable amount (cost less residual value), using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Component	Estimated lifespan		
Land			
Developed land	N/A		
Undeveloped land	N/A		
Buildings			
Dwellings			
Caravans	5	-	10
Children's homes	25	-	30
Homes for the aged	25	-	30
Hostels	25	-	30
Military personnel dwellings	25	-	30
Mobile homes	5	-	10
Places of safety (children)	25	-	30
Prisons and rehabilitation facilities	25	-	30
Residences (presidential, embassies)	25	-	30
Residences (personnel) include garages and parking	25	-	30
Secure care centres	25	-	30
Non Residential Dwellings			
Airport and associated buildings	25	-	30
Bus terminals	25	-	30
Bus shelters	10	-	15
Clinics and community health facilities	25	-	30
Community centres and public entertainment buildings	25	-	30
Driver and vehicle testing centres	25	-	30
Fire stations	25	-	30
Hospitals and ambulance stations	25	-	30
Industrial buildings	20	-	30
Libraries	25	-	30
Mortuaries	25	-	30
Office buildings (including air conditioning systems)	25	-	30
Public parking (covered and open)	25	-	30
Stadiums	25	-	30
Taxi ranks	10	-	15
Warehouses (storage facilities, including data)	25	-	30
Other Structures (Infrastructure Assets)			
Electricity			
Cooling towers	25	-	30
Mains	15	-	20
Meters			
Prepaid	10	-	20
Credit	20	-	25
Power stations			
Coal	50	-	60
Supply/reticulation	15	-	25
Transformers	25	-	60
Lines			
Underground	25	-	45
Overhead	20	-	30
Cables	25	-	45
Substations	20	-	60
Switchgear	20	-	30
Equipment			

Component	Estimated lifespan		
Outdoor	20	-	30
GIS	15	-	30
Indoor	30	-	40
Electrical panels	3	-	5
Telemetry	7	-	15
Roads (Roads, Pavements, Bridges & Storm Water)			
Bridges			
Bridges - Concrete	60	-	80
Bridges – Steel	40	-	50
Bridges - Timber	25	-	40
Pedestrian			
Bridges - Concrete	60	-	80
Bridges – Steel	40	-	50
Bridges – Timber	25	-	40
Reinforced retaining walls			
Earth	10	-	15
Concrete	25	-	30
Expansion and construction joints	15	-	20
Storm Water			
Culverts	25	-	40
Concrete	40	-	60
Armco	25	-	40
Drains			
Earthworks	80	-	100
Concrete lining	25	-	50
Stop banks	40	-	50
Pipes	25	-	50
Storm water outfalls	60	-	80
Roads			
Kerb and channels	20	-	55
Municipal roads Asphalt surface	10	-	20
Asphalt layer	20	-	55
Concrete surface	10	-	30
Concrete layer	20	-	55
Gravel surface	3	-	20
Crash barriers	10	-	30
Retaining walls	20	-	60
Overload control centres	15	-	20
Electronic hardware	10	-	15
Other equipment	10	-	20
Street lighting	20	-	55
Traffic islands	40	-	50
Traffic lights	15	-	20
Traffic signs	5	-	15
Airports			
Runways	15	-	20
Taxiways	15	-	20
Water			
Dams: Structure			
- concrete	80	-	100
- earth	30	-	50
Mechanical and electrical	10	-	40
Meters	10	-	20
Standpipes	5	-	20
Metalwork (steel stairs, ladders, handrails, weirs)	0	-	30
Pump stations			
Structure	20	-	55

Component	Estimated lifespan		
Electrical	10	-	40
Mechanical	10	-	40
Perimeter protection	10	-	25
Reservoirs			
Structure	20	-	50
Electrical	10	-	40
Mechanical	10	-	40
Perimeter protection	10	-	25
Supply/reticulation	20	-	55
Underground chambers			
Valves	10	-	25
Meters	10	-	20
Transition	10	-	15
Other	5	-	10
Water purification works			
Structure	20	-	55
Electrical	15	-	40
Mechanical	15	-	40
Perimeter protection	10	-	25
Meters	10	-	15
Telemetry	10	-	15
Sewerage			
Bulk pipelines (outfall sewers)			
Rising mains	20	-	50
Gravity mains	20	-	50
Sewerage pump stations			
Structure	20	-	55
Electrical	15	-	40
Mechanical	15	-	40
Perimeter protection	10	-	25
Metalwork	10	-	30
Sewers/reticulation	20	-	60
Waste purification works			
Structure	20	-	55
Electrical	15	-	40
Mechanical	15	-	40
Perimeter protection	10	-	25
Meters	10	-	15
Solid Waste Disposal			
Collection			
Vehicles	5	-	10
Containers/Bins	10	-	15
Landfill site			
Earthmoving and compaction equipment	10	-	15
Weighbridge			
Mechanical	15	-	40
Electrical	15	-	40
Perimeter protection	10	-	25
Railways			
Power supply units	25		30
Railway sidings	25	-	30
Railway tracks	15	-	20
Signalling systems	15		20
Shunting yards	25		30
Stations			
Trunk receiving	40	-	50
District regulating	40	-	50

Component	Estimated lifespan		
Mains/pipelines	15	-	20
Meters	15	-	20
Storage facilities	15	-	20
Supply/reticulation	15	-	20
Cemeteries	25	-	30
Other Machinery and Equipment			
Audiovisual equipment	5	-	10
Building air conditioning systems	5	-	10
Cellular phones (over R5 000)	0	-	2
Cellular routers	3	-	5
Domestic equipment (non kitchen appliances))	3	-	5
Electric wire and power distribution equipment (compressors, generators & allied equipment)	5	-	7
Emergency/rescue equipment	5	-	10
Elevator systems	15	-	20
Farm/Agricultural equipment	5	-	15
Fire Fighting equipment	3	-	5
Fencing	5	-	25
Gardening equipment	2	-	4
Irrigation equipment	10	-	15
Kitchen appliances	5	-	10
Laboratory equipment - Agricultural	5	-	7
- Medical testing	5	-	7
- Roads and transport	5	-	7
Laundry equipment and industrial sewing machines	10	-	15
Learning, training support and library material	5	-	10
Machines for metallurgy	5	-	10
Machines for mining and quarrying	5	-	10
Machines for textile production	10	-	15
Medical and allied equipment	5	-	10
Music instruments	10	-	15
Photographic equipment	5	-	10
Pumps, plumbing, purification and sanitation equipment	5	-	10
Radio equipment	5	-	7
Road construction and maintenance equipment	10	-	15
Saddles and other tack	5	-	7
Security equipment/systems/ materials - Fixed	3	-	5
- Movable	3	-	5
Sport and recreational equipment	5	-	10
Survey equipment	5	-	7
Telecommunication equipment	3	-	10
Tents, flags and accessories	5	-	10
Woodworking machinery and equipment	5	-	10
Workshop equipment and loose tools - Fixed	5	-	10
- Movable	3	-	5
Furniture And Office Equipment			
Advertising boards	3	-	5
Air conditioners (individual fixed & portable)	3	-	5
Cutlery and crockery	5	-	10
Domestic and hostel furniture	10	-	15
Linen and soft furnishings	5	-	10
Office equipment (including fax machines)	5	-	7
Office furniture	5	-	7
Paintings, sculptures, ornaments (home and office)	5	-	10

Component	Estimated lifespan		
Computer Equipment			
Computer hardware including operating systems	3	-	5
Networks	5	-	10
Transport Assets			
Aircraft	10	-	15
Aircraft engines	5	-	7
Airport transport equipment (stairs and luggage)	10	-	15
Busses	10	-	15
Cycles	4	-	7
Emergency vehicles (Ambulances and fire engines)	5	-	10
Mobile clinics	10	-	15
Motor vehicles	4	-	7
Trailers and accessories	5	-	10
Trucks	5	-	7
Intangible Assets			
Computer software	2	-	5

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. These components are:

<u>Item</u>	<u>Useful life</u>
Property – land	indefinite
Property – buildings	20 - 30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or losses arising from derecognition of an item of property, plant and equipment is included in the surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

Property, plant and equipment (cont.)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Disposal of property, plant and equipment

The carrying values of assets are written off on disposal.

The difference between the net book value of assets (cost less accumulated depreciation) and the sales proceeds are reflected as a gain or loss in the Statement of Financial Performance.

3.8.15 Intangible assets

An intangible asset is defined as an identifiable non-monetary asset without physical substance held for use in the production or supply of goods and services, for rentals to others, or for administrative purposes.

Intangible assets comprise software and servitudes, and are shown at cost, less accumulated amortisation and accumulated impairment losses.

Intangible assets are initially recorded at their cost price and subsequently amortised over their expected useful lives. The intangible assets under the control of the Municipality are amortised according to the straight-line method.

An intangible asset is recognised when:

- It is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- The cost or fair value of the asset can be measured reliably.

Costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that is clearly associated with an identifiable and unique product, which will be controlled by the group and have a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset. Associated costs include staff costs of the development team and an appropriate portion of relevant overheads.

Expenditure which enhances and extends the benefits of computer software programs beyond the original life of the software is capitalised. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives. Costs associated with the maintenance of existing computer software programs are expensed as incurred.

Research and development expenditure is written off as incurred.

Measurement

After initial recognition, an intangible asset is carried at its cost less any accumulated impairment losses and amortisation. Amortisation is charged on a straight-line basis over the useful life which is estimated to be between 3 and 5 years. The useful life of an intangible asset is the period over which that asset is expected to be available for use. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, but are tested for impairment annually and impaired if necessary.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Intangible assets (cont.)

The estimated useful life and amortisation methods are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively. Intangible assets are recognised at cost. Cost is defined as the amount of cash or cash equivalents paid or the fair value of the other considerations given to acquire the asset at the time of its acquisition or construction. Only cost incurred on computer software and websites that meet the definition of an intangible asset are recognized.

The gain or loss arising on the disposal of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The carrying values of items of property, plant and equipment have not been adjusted with impairment losses as no impairment testing was done. The useful lives and residual values of assets classified as property, plant and equipment were not reviewed during the year under review.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

No property was classified and disclosed as investment property. Land and buildings, in some instances are recognised as items of property, plant and equipment.

3.8.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where some or all of the expenditure required for settling a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is being treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision.

Provisions are not recognised for future operating losses.

The present obligation under an onerous contract is recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

Provisions, contingent liabilities and contingent assets (cont.)

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

3.8.17 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from date of classification.

Non-current assets held for sale are measured at the lower of its carrying value and fair value less costs to sell.

A non-current asset is not depreciated while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus and deficit.

3.8.18 Impairment of cash-generating assets

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the amount of the asset is less than its carrying amount.

The impairment loss is recognised as an expense in the statement of financial performance.

3.8.19 Impairment of non-cash generating assets

Non-cash generating assets are those assets other than cash-generating assets.

Servitude will only become impaired if the line to which the servitude is linked is derecognised.

The municipality intends to take full advantage of the period of the transitional provisions. Due to the transitional provisions under the Standard of GRAP on Property, Plant and Equipment, certain assets have not been recognised as Property, Plant and Equipment and due to the non-recognition of such assets, the requirements of the Standard on Provisions,

Contingent Liabilities and Contingent assets have not been applied until the expiration the Property, Plant and Equipment transitional provisions.

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Impairment of non-cash generating assets (cont.)

Where some or all of the expenditure required for settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision.

Provisions are not recognised for future operating losses.

The present obligation under an onerous contract is recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

3.8.20 Conditional grants and receipts

Grants and receipts of capital nature

When items of property, plant and equipment are financed from government grants, a transfer is made from the Accumulated Surplus/Deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the Accumulated Surplus/Deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Government grants are recognised when there is reasonable assurance that:

- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Grants and receipts of a revenue nature

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met.

A government grant that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the entity with no future related costs are recognised as income of the period in which it becomes receivable.

3.8.21 Risk Management

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The municipality does not hold any collateral as security beside that of consumer deposits.

Capital risk management

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The municipality's activities expose it to a variety of financial risks: local economic environment, market forces, cash flow interest rate risk and price risk, credit risk and liquidity risk.

Liquidity risk management

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk management

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk management

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The main risk is represented by the deterioration of on-time collection of property taxes and service charges.

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

2011
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2010
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1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand
Cash at bank

7 282	7 282
4 367 742	12 674 077
<u>4 375 024</u>	<u>12 681 359</u>

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

ABSA Bank Limited
Account No. 4055605473
Branch Code:634540

Cash book balance at beginning of year

(9 593 188) (7 329 744)

Cash book balance at end of year

(21 209 710) (9 593 188)

Bank statement balance at beginning of year

293 696 948 099

Bank statement balance at end of year

1 945 727 293 696

Current Account (Other Account)(TMT)

ABSA Bank Limited
Account No. 406154689
Branch Code:634540

Cash book balance at beginning of year

381 297 555 173

Cash book balance at end of year

196 028 381 297

Bank statement balance at beginning of year

381 297 555 173

Bank statement balance at end of year

381 297 381 297

Current Account (Other Account)(Bank Account Traffic)

ABSA Bank Limited
Account No. 4050989969
Branch Code:634540

Cash book balance at beginning of year

1 112 674 994 350

Cash book balance at end of year

1 820 516 1 112 674

Bank statement balance at beginning of year

363 654 852 807

Bank statement balance at end of year

912 488 363 654

Current Account (Other Account)(PMU)

ABSA Bank Limited
Account No. 4064023765
Branch Code:634540

Cash book balance at beginning of year

4 564 214 16 400 161

Cash book balance at end of year

385 274 4 564 214

Bank statement balance at beginning of year

4 892 082 23 488 644

Bank statement balance at end of year

193 641 4 892 082

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
1 CASH AND CASH EQUIVALENTS(cont.)		
<u>Current Account (Other Account)(Future Development)</u>		
ABSA Bank Limited Account No. 40644584280 Branch Code:634540		
Cash book balance at beginning of year	709 888	2 225 961
Cash book balance at end of year	702 094	709 888
Bank statement balance at beginning of year	8 888	2 225 961
Bank statement balance at end of year	1 098	8 888
<u>Current Account (Other Account)(Housing Project)</u>		
ABSA Bank Limited Account No. 4062582537 Branch Code:634540		
Cash book balance at beginning of year	2 087 902	4 323 429
Cash book balance at end of year	2 896	2 087 902
Bank statement balance at beginning of year	2 087 902	4 323 429
Bank statement balance at end of year	2 896	2 087 902
<u>Current Account (Other Account)(Housing Development Fund)</u>		
ABSA Bank Limited Account No. 4055636965 Branch Code:634540		
Cash book balance at beginning of year	27 551	27 586
Cash book balance at end of year	27 251	27 551
Bank statement balance at beginning of year	27 551	27 586
Bank statement balance at end of year	27 251	27 551
<u>Current Account (Other Account)(Tsweleng Housing)</u>		
Fist National Bank Account No. 54311117765 Branch Code:240638		
Cash book balance at beginning of year	621 139	640 670
Cash book balance at end of year	620 818	621 139
Bank statement balance at beginning of year	621 139	640 670
Bank statement balance at end of year	620 818	621 139
<u>Current Account (Other Account)(Kgakala Housing)</u>		
ABSA Bank Limited Account No. 4049678703 Branch Code:634540		
Cash book balance at beginning of year	98 477	96 658
Cash book balance at end of year	98 806	98 477
Bank statement balance at beginning of year	98 477	96 658

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
Bank statement balance at end of year	98 806	98 477
1 CASH AND CASH EQUIVALENTS(cont.)		
<u>Current Account (Other Account)</u>		
ABSA Bank Limited Account No. 4055686261 Branch Code:634540		
Cash book balance at beginning of year	2 670 711	1 925 487
Cash book balance at end of year	101 513	2 670 711
Bank statement balance at beginning of year	2 670 711	1 925 487
Bank statement balance at end of year	101 513	2 670 711
<u>Current Account (Other Account)</u>		
ABSA Bank Limited Account No. 4052543232 Branch Code:634540		
Cash book balance at beginning of year	77 726	76 665
Cash book balance at end of year	78 119	77 726
Bank statement balance at beginning of year	77 726	76 665
Bank statement balance at end of year	78 119	77 726
<u>Current Account (Other Account)</u>		
Fist National Bank Account No. 62022159538 Branch Code:240638		
Cash book balance at beginning of year	2 718	2 691
Cash book balance at end of year	2 745	2 718
Bank statement balance at beginning of year	2 718	2 691
Bank statement balance at end of year	2 745	2 718
<u>Current Account (Other Account)</u>		
ABSA Bank Limited Account No. 9126643503 Branch Code:634540		
Cash book balance at beginning of year	262 680	244 800
Cash book balance at end of year	278 957	262 680
Bank statement balance at beginning of year	262 680	244 800
Bank statement balance at end of year	278 957	262 680
<u>Current Account (Other Account)</u>		
ABSA Bank Limited Account No. 4067021033 Branch Code:634540		
Cash book balance at beginning of year	7 467	347 308
Cash book balance at end of year	15	7 467
Bank statement balance at beginning of year	7 467	347 308

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011 R	2010 R
Bank statement balance at end of year	15	7 467
1 CASH AND CASH EQUIVALENTS(cont.)		
<u>Current Account (Other Account)</u>		
ABSA Bank Limited Account No. 4049678703 Branch Code:634540		
Cash book balance at beginning of year	49 634	46 255
Cash book balance at end of year	52 709	49 634
Bank statement balance at beginning of year	49 634	46 255
Bank statement balance at end of year	52 709	49 634
<u>Cash on hand</u>	7 282	7 282
Total cash and cash equivalents	4 367 742	12 674 077
Total bank overdraft	(21 209 710)	(9 593 188)

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables

as at 30 June 2011

Service debtors

	Gross Balance R	Impairment R	Net Balance R
Property Rates	16 068 493	(14 020 965)	2 047 528
Electricity	5 939 068	(1 255 732)	4 683 337
Water	59 116 625	(56 115 393)	3 001 232
Sewerage	44 486 519	(42 450 959)	2 035 560
Refuse	24 591 103	(23 688 273)	902 830
Total	150 201 809	(137 531 322)	12 670 487

Other receivables

Other receivables

	26 329 401	(24 852 843)	1 476 558
	26 329 401	(24 852 843)	1 476 558

as at 30 June 2010

Service debtors

Property Rates	13 486 581	(11 734 475)	1 752 106
Electricity	4 118 847	(1 433 206)	2 685 641
Water	47 374 972	(45 495 406)	1 879 567
Sewerage	35 955 909	(34 683 308)	1 272 601
Refuse	20 132 275	(19 598 038)	534 238
Total	121 068 585	(112 944 433)	8 124 152

Other receivables

Other receivables

	15 770 294	(14 870 260)	900 035
	15 770 294	(14 870 260)	900 035

Ageing as at 30 June 2011

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91+ Days

Total

	Rates	Electricity, Water, Sewerage, Cleansing	Other
Current (0 – 30 days)	1 067 322	6 790 944	2 050 656
31 - 60 Days	486 695	3 876 402	1 582 270
61 - 90 Days	420 000	3 763 459	1 524 927
91+ Days	14 362 204	125 570 622	32 264 880
Total	16 336 221	140 001 427	37 422 733

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

2011
R

2010
R

**2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE
TRANSACTIONS(cont.)**

Ageing as at 30 June 2010

	Rates	Electricity, Water, Sewerage, Cleansing	Other
Current (0 – 30 days)	1 384 265	11 923 819	1 894 612
31 - 60 Days	395 233	4 148 607	882 642
61 - 90 Days	414 555	4 057 079	859 327
91+ Days	11 053 921	87 452 498	12 372 320
Total	13 247 974	107 582 004	16 008 901

Impairment criteria

Impairment is done on debtor accounts with zonings of Residential and Agriculture. Impairment is calculated as follows:

- 100% of outstanding balance on all inactive accounts as at 30 June of the year under review.
- 100% of outstanding amounts on all indigent accounts as at 30 June of the year under review.
- a percentage equal to the non-payment for the year under review for each debtor account, calculated on the outstanding amount.

Ageing as at 30 June 2011

	Consumers R	Industrial / Commercial R	National and Provincial Government R
<u>Summary of Debtors by Customer Classification</u>			
as at 30 June 2011			
Current (0 – 30 days)	8 083 224	1 285 410	540 288
31 - 60 Days	5 281 413	272 771	391 183
61 - 90 Days	5 325 900	171 382	211 104
91 - 120 Days	168 463 438	2 471 605	1 262 663
121 - 365 Days	-	-	-
Total debtors by customer classification	187 153 975	4 201 168	2 405 238
Less: Provision for doubtful debts	(162 384 165)		
Total debtors by customer classification	24 769 810	4 201 168	2 405 238

Ageing as at 30 June 2010

	Consumers R	Industrial / Commercial R	National and Provincial Government R
<u>Summary of Debtors by Customer Classification</u>			
as at 30 June 2011			
Current (0 – 30 days)			
31 - 60 Days			
61 - 90 Days			
91 - 120 Days			
121 - 365 Days			
Total debtors by customer classification	131 785 305	3 127 403	1 926 171
Less: Provision for doubtful debts	(127 814 693)		
Total debtors by customer classification	3 970 612	3 127 403	1 926 171

Movement in provision for credit losses

2011

2010

Balance at beginning of the year	127 814 693	17 726 472
Contributions to provision	50 554 103	110 089 916
Doubtful debts written off against provision	(15 984 631)	(1 695)
Reversal of provision		
Balance at end of year	162 384 165	127 814 693

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

2011
R

2010
R

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2011

	Gross Balances	Impairment	Net Balance
Subsidies	1 107 947		1 107 947
Unauthorised expenditure	3 515 823		3 515 823
Other debtors	1 610 615		1 610 615
Prepaid expenses	22 483		22 483
Total Other Debtors	6 256 868	-	6 256 868

As at 30 June 2010

Subsidies	-		-
Unauthorised expenditure	2 406 280		2 406 280
Other debtors	1 207 276		1 207 276
Prepaid expenses	22 483		22 483
Total Other Debtors	3 636 038	-	3 636 038

4 INVENTORIES

Opening balance of inventories:

Consumable, maintenance and spare parts stores - at cost	629 173	662 380
----------------------------------------------------------	---------	---------

Additions:

Consumable, maintenance and spare parts stores	1 360 971	633 888
------------------------------------------------	-----------	---------

Issued (expensed):

Consumable, maintenance and spare parts stores	(1 133 278)	(667 095)
------------------------------------------------	-------------	-----------

Closing balance of inventories:

Consumable, maintenance and spare parts stores	856 866	629 173
------------------------------------------------	---------	---------

5 INVESTMENTS

Collateral	19 549	18 432
Call investments	653 881	25 791 365
Total Investments (for detail see Appendix E)	673 430	25 809 797

6 NON-CURRENT RECEIVABLES

Housing selling scheme loans	-	-
Other non-current receivables	-	-
Less : Current portion transferred to current receivables	-	-
Housing selling scheme loans	-	-
Other non-current receivables	-	-
Total	-	-

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

7 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

as at 1 July 2010

Cost/Revaluation
Correction of error
Change in accounting policy
Accumulated depreciation and impairment losses

Acquisitions
Capital under Construction
Depreciation

Carrying value of disposals

Cost/Revaluation
Accumulated depreciation and impairment losses

Impairment loss/Reversal of impairment loss
Transfers
Other movements*

as at 30 June 2011

Cost/Revaluation
Accumulated depreciation and impairment losses

Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets
R	R	R	R	R	R	R
5 223 942	15 319 580	359 340 388	831 086	-	12 354 703	-
5 223 942	18 995 933	422 182 223	997 304	-	22 193 830	-
-	(3 676 354)	(62 841 835)	(166 217)	-	(9 839 127)	-
-	11 830 447	71 845 072	-	-	419 988	-
-	6 099 416	19 214 737	-	-	-	-
-	(1 227 264)	(19 884 245)	(33 243)	-	(2 669 614)	-
-	-	-	-	-	(791 924)	-
-	-	-	-	-	(1 568 607)	-
-	-	-	-	-	776 683	-
-	-	-	-	-	-	-
-	-	-	-	-	440 789	-
-	-	-	-	-	(93 872)	-
5 223 942	32 022 177	430 515 952	797 843	-	9 660 070	-
5 223 942	36 925 795	513 242 032	997 304	-	21 486 000	-
-	(4 903 618)	(82 726 080)	(199 461)	-	(11 825 930)	-

Refer to Appendix B for more detail on property, plant and equipment

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

7 PROPERTY, PLANT AND EQUIPMENT(cont.)

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets
	R	R	R	R	R	R	R
as at 1 July 2009	5 223 942	15 947 472	351 412 193	864 330	-	13 601 926	-
Cost/Revaluation	5 223 942	18 995 666	396 429 381	997 304	-	21 011 264	-
Correction of error							-
Change in accounting policy							-
Accumulated depreciation and impairment losses	-	(3 048 194)	(45 017 188)	(132 974)	-	(7 409 338)	-
Acquisitions	-	34 200	25 752 842	-	-	1 293 005	-
Capital under Construction	-	14 531 760	32 992 777	-	-	-	-
Depreciation	-	(648 991)	(17 824 647)	(33 243)	-	(2 460 860)	-
Carrying value of disposals	-	(13 102)	-	-	-	(73 626)	-
Cost/Revaluation	-	(33 932)	-	-	-	(110 439)	-
Accumulated depreciation and impairment losses	-	20 831	-	-	-	36 813	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	(6 754)	-
*Other movements	-	-	-	-	-	1 013	-
as at 30 June 2010	5 223 942	29 851 340	392 333 165	831 086	-	12 354 704	-
Cost/Revaluation	5 223 942	33 527 694	455 175 000	997 304	-	22 187 076	-
Accumulated depreciation and impairment losses	-	(3 676 354)	(62 841 835)	(166 217)	-	(9 832 373)	-

The residual value, useful life and depreciation method of each asset were not reviewed at the end of the reporting period.

Refer to Appendix B for more detail on property, plant and equipment

Total
R
393 069 699
469 593 232
-
-
(76 523 533)
84 095 507
25 314 153
(23 814 367)
(791 924)
(1 568 607)
776 683
-
440 789
(93 872)
478 219 984
577 875 073
(99 655 089)

Total
R
387 049 863
442 657 557
-
-
(55 607 694)
27 080 046
47 524 537
(20 967 742)
(86 727)
(144 371)
57 644
-
(6 754)
1 013
440 594 236
517 111 015
(76 516 779)

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

8 INTANGIBLE ASSETS

Reconciliation of carrying value	Computer Software R	Other* R
as at 1 July 2010	378 437	-
Cost	1 107 806	-
Correction of error		-
Change in accounting policy		-
Accumulated amortisation and impairment losses	(729 369)	-
Acquisitions	28 677	-
Amortisation	(9 357)	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	(440 789)	-
Other movements	93 872	-
as at 30 June 2011	50 840	-
Cost	695 694	-
Accumulated amortisation and impairment losses	(644 854)	-

Reconciliation of carrying value	Computer Software R	Other* R
as at 1 July 2009	432 867	-
Cost	1 074 915	-
Correction of error		-
Change in accounting policy		-
Accumulated amortisation and impairment losses	(642 048)	-
Acquisitions	32 891	-
Amortisation	(93 062)	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated amortisation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	6 754	-
Other movements	(1 013)	-
as at 30 June 2010	378 437	-
Cost	1 113 547	-
Accumulated amortisation and impairment losses	(735 110)	-

The residual value, useful life and depreciation method of each asset were not reviewed at the end of the r

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

9 INVESTMENT PROPERTY CARRIED AT COST

Reconciliation of carrying value	Investment property X R	Investment property Y R
as at 1 July 2010	-	-
Cost	-	-
Correction of error		
Change in accounting policy		
Accumulated depreciation and impairment losses	-	-
Acquisitions	-	-
Depreciation	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated depreciation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2011	-	-
Cost	-	-
Accumulated depreciation and impairment losses	-	-
Reconciliation of carrying value	Investment property R	Investment property R
as at 1 July 2009	-	-
Cost	-	-
Correction of error		
Change in accounting policy		
Accumulated depreciation and impairment losses	-	-
Acquisitions	-	-
Depreciation	-	-
Carrying value of disposals	-	-
Cost	-	-
Accumulated depreciation	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
as at 30 June 2010	-	-
Cost	-	-
Accumulated depreciation and impairment losses	-	-

In terms of Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities, the Maquassi Municipality has identified all municipal property but due to the fact that the municipality has taken advantage of the transitional provisions, has not yet classified these properties between Property, Plant and Equipment, Inventory and Intangible Assets. The market values of these properties have not yet been divided between land and buildings values. The reconciliation is forwarded to the municipal valuer.

The residual value, useful life and depreciation method of each asset were not reviewed at the end of the reporting period.

**Total
R**

378 437
1 107 806
-
-
(729 369)

28 677
(9 357)

-
-
-

-
(440 789)
93 872

50 840

695 694
(644 854)

**Total
R**

432 867
1 074 915
-
-
(642 048)

32 891
(93 062)

-
-
-

-
6 754
(1 013)

378 437

1 113 547
(735 110)

reporting period.

**Total
R**

-
-
-
-
-

-
-

-
-
-

-
-
-

-
-
-

**Total
R**

-
-
-
-
-

-
-

-
-
-

-
-
-

-
-
-

Hills Local
ge of the transitional
vestment Property.
quest will be

eporting period.

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
10 NON-CURRENT ASSETS HELD FOR SALE		
Property, plant and equipment	-	-
Investment property	-	-
Other assets	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Municipality has taken advantage of the transitional provisions of Directive 4

11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	14 561 150	37 456 950
Payments received in advance	1 347 645	1 051 928
Retentions	6 594 791	4 239 942
Leave provision (note 15)	3 742 483	3 532 596
Other creditors	8 651 558	8 374 970
Total creditors	<u>34 897 627</u>	<u>54 656 385</u>

The fair value of trade and other payables approximates their carrying amounts.

12 CONSUMER DEPOSITS

Electricity and Water	1 798 794	1 432 270
Total consumer deposits	<u>1 798 794</u>	<u>1 432 270</u>

13 VAT PAYABLE

VAT payable	<u>-</u>	<u>-</u>
-------------	----------	----------

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

14 VAT RECEIVABLE

VAT receivable	<u>10 759 356</u>	<u>11 669 353</u>
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
15 LEAVE PROVISION		
Provision for leave	3 742 483	3 532 596
Total Provisions	3 742 483	3 532 596
The movement in current provisions are reconciled as follows: -		
as at 1 July 2010		3 532 596
Contributions to provision		243 123
Expenditure incurred		(33 236)
as at 30 June 2011		3 742 483
as at 1 July 2009		755 347
Contributions to provision		3 016 887
Expenditure incurred		(239 638)
as at 30 June 2010		3 532 596

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent Conditional Grants from other spheres of Government

Municipal Infrastructure Grant	3 546 237	957 794
Dr Kenneth Kaunda District Municipality	-	-
Finance Management Grant	339 476	10 361
Provincial Government Library Grant	621 476	2 660 094
Provincial Gazette Disaster Grant	-	-
DWAF Bulk Water	2	23 301 231
DBSA Grant (IT System)	-	-
Provincial Government Bulk Water (PIG)	513 555	5 000 000
DWAF Water Demand	-	-
DBSA Water Demand	-	-
Municipal Systems Improvement Grant	89 316	11 486
Valuation Roll	-	-
Total Unspent Conditional Grants and Receipts	5 110 062	31 940 968

Non-current unspent conditional grants and receipts

Current portion of unspent conditional grants and receipts

-	-
5 110 062	31 940 968

See Note 23 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investments until utilised.

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
17 BORROWINGS		
Annuity Loans	54 956 868	58 792 991
Less : Current portion transferred to current liabilities		
Annuity Loans	(1 130 960)	(8 492 632)
Total borrowings	53 825 908	50 300 359

Refer to Appendix A for more detail on borrowings.

18 PROPERTY RATES

Actual

All categories	19 163 696	16 895 719
Total property rates	19 163 696	16 895 719
Property rates - penalties imposed and collection charges	-	-
Total	19 163 696	16 895 719

Valuations

Land Value	-	-
Improvements Value	-	-
Market Value	2 682 212 363	2 659 065 971
Total Market Value	2 682 212 363	2 659 065 971

Valuations on land and buildings are performed every three years. The last valuation came into effect on 1 July 2010. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

19 SERVICE CHARGES

Sale of electricity	28 503 043	23 693 204
Sale of water	27 805 317	25 727 868
Refuse removal	9 211 745	8 427 128
Sewerage and sanitation charges	18 984 785	17 457 389
Total Service Charges	84 504 890	75 305 589

20 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	332 697	282 357
Other rentals	-	38
Total rentals	332 697	282 395

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
21 FINANCE INCOME - EXTERNAL INVESTMENTS		
Bank	681 038	2 749 709
Total interest	681 038	2 749 709
22 FINANCE INCOME - OUTSTANDING RECEIVABLES		
Consumer and other debtors	12 222 069	9 637 514
Total interest	12 222 069	9 637 514
23 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	58 941 788	46 237 427
MIG Grant	21 037 558	24 917 167
Other Government Grants and Subsidies	42 526 457	12 826 683
Total Government Grant and Subsidies	122 505 803	83 981 277
Equitable Share	7 185 523	10 101 284
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from the grant.		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	(957 794)	(1 486 459)
Current year receipts	(23 626 000)	(24 924 664)
Conditions met – transferred to revenue	21 037 558	25 453 328
Conditions still to be met - transferred to liabilities	(3 546 237)	(957 794)
Provincial Gazette Disaster Grant		
Balance unspent at beginning of year	-	(732 460)
Current year receipts	-	-
Conditions met – transferred to revenue	-	732 460
Conditions still to be met - transferred to liabilities	-	-
Provincial Government Library Grant		
Balance unspent at beginning of year	(2 660 094)	(97 701)
Current year receipts	(450 000)	(3 650 000)
Conditions met – transferred to revenue	2 488 618	1 087 607
Conditions still to be met - transferred to liabilities	(621 476)	(2 660 094)

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
23 GOVERNMENT GRANTS AND SUBSIDIES(cont.)		
Finance Management Grant		
Balance unspent at beginning of year	(10 361)	(12 800)
Current year receipts	(1 000 000)	(750 000)
Conditions met – transferred to revenue	670 885	752 438
Conditions still to be met - transferred to liabilities	<u>(339 476)</u>	<u>(10 361)</u>
DWAF Bulk Water		
Balance unspent at beginning of year	(23 301 231)	(23 301 231)
Current year receipts	-	-
Conditions met – transferred to revenue	23 301 230	-
Conditions still to be met - transferred to liabilities	<u>(2)</u>	<u>(23 301 231)</u>
Dr Kenneth Kaunda District Municipality		
Balance unspent at beginning of year	-	(175 000)
Current year receipts	-	(1 417 149)
Conditions met – transferred to revenue	-	1 592 149
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
DBSA Grant (IT System)		
Balance unspent at beginning of year	-	(2 013 561)
Current year receipts	(98 937)	-
Conditions met – transferred to revenue	98 937	2 013 561
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
Provincial Government Bulk Water (PIG)		
Balance unspent at beginning of year	(5 000 000)	(4 285 686)
Current year receipts	(7 500 000)	(7 500 000)
Conditions met – transferred to revenue	11 986 445	6 785 686
Conditions still to be met - transferred to liabilities	<u>(513 555)</u>	<u>(5 000 000)</u>
DWAF Water Demand		
Balance unspent at beginning of year	-	(667 770)
Current year receipts	-	-
Conditions met – transferred to revenue	-	667 770
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
DBSA Water Demand		
Balance unspent at beginning of year	-	(1 153 637)
Current year receipts	(100 000)	-
Conditions met – transferred to revenue	100 000	1 153 637
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
23 GOVERNMENT GRANTS AND SUBSIDIES(cont.)		
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	(11 486)	(26 481)
Current year receipts	(750 000)	(735 000)
Conditions met – transferred to revenue	672 171	749 994
Conditions still to be met - transferred to liabilities	<u>(89 316)</u>	<u>(11 486)</u>
Valuation Roll		
Balance unspent at beginning of year	-	-
Current year receipts	-	(199 904)
Conditions met – transferred to revenue	-	199 904
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
24 OTHER INCOME		
Other income		
Advertising	81 829	16 597
Blocked sewerage fees	11 400	7 800
Building plans fees and copies	87 850	71 549
Cemetery fees	164 303	142 754
Cleaning of stands	3 400	4 200
Clearance certificates	15 740	16 980
Connection fees : electricity	5 540	17 400
Connection fees : sewerage	9 660	12 318
Connection fees : water	7 629	5 568
Deeds search	-	5 391
Encroachment	723	374
Garden refuse removal	1 000	500
Lost books library	-	8
Poster fees	1 892	931
Reconnections : electricity	64 792	109 129
Reconnections : water	14 466	12 455
Rd cheque charges	-	-
Sales: refuse bins	2 063	1 477
Sales: sand and gravel	10 200	79 863
Sales: town maps	-	531
Sub division of erven	719	429
Sundries	511 377	949 964

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
24 OTHER INCOME (cont.)		
Supply of information	83 751	70 884
Surplus: cash	265	3 299
SETA	-	226 018
Sale of inventory	172 532	
User fees	5 229	5 399
Valuation certificates	3 409	1 372
Cross subsidisation to:	830	830
Other	22 886	155 355
Total Other Income	1 283 484	1 919 377

25 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	26 943 401	23 386 349
Employee related costs - Contributions for UIF, pensions and medical aids	8 386 518	7 935 314
Travel, motor car, accommodation, subsistence and other allowances	2 209 420	1 819 891
Housing benefits and allowances	280 808	308 279
Overtime payments	2 160 918	1 991 412
Performance and other bonuses	2 036 167	2 301 975
Long-service awards	120 715	257 652
Other employee related costs	597 017	520 152
Total Employee Related Costs	42 734 965	38 521 024

There were no advances to employees

Remuneration of the Municipal Manager

Annual Remuneration	683 141	637 752
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	276 486	302 651
Contributions to UIF, Medical and Pension Funds	174 327	164 240
Total	1 133 954	1 104 643

The post for Municipal Manager was vacant until November 2008.

Remuneration of the Chief Finance Officer

Annual Remuneration	708 242	664 084
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	318 368	315 879
Contributions to UIF, Medical and Pension Funds	-	1 542
Total	1 026 610	981 506

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

		2011	2010
		R	R
25 EMPLOYEE RELATED COSTS(cont.)			
Remuneration of Individual Executive Directors			
	Technical Services R	Corporate Services R	Community Services R
2011			
Annual Remuneration	707 345	406 906	714 668
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	350 174	259 501	167 995
Contributions to UIF, Medical and Pension Funds	125 677	14 415	117 930
Total	1 183 196	680 822	1 000 593
	Technical Services R	Corporate Services R	Community Services R
2010			
Annual Remuneration	404 951	724 277	417 695
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	295 663	166 681	176 871
Contributions to UIF, Medical and Pension Funds	118 049	24 276	111 830
Total	818 663	915 234	706 396
Total employee related cost		47 760 140	43 047 466

26 REMUNERATION OF COUNCILLORS		
Mayor	368 591	305 014
Deputy Mayor	-	-
Speaker	299 673	260 044
Executive Committee Members	860 283	899 547
Councillors	1 312 802	1 369 510
Councillors' pension and medical aid contributions	282 216	265 276
Councillors' allowances	1 286 022	1 132 346
Total Councillors' Remuneration	4 409 588	4 231 738

27 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	23 814 367	20 967 742
Intangible assets	9 357	93 062
Investment property carried at cost	-	-
Total Depreciation and Amortisation	23 823 725	21 060 804

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
28 FINANCE COSTS		
Borrowings	2 937 202	3 346 321
Total Finance Costs	2 937 202	3 346 321
29 BULK PURCHASES		
Electricity	18 550 668	16 705 811
Water	13 893 153	16 329 327
Total Bulk Purchases	32 443 821	33 035 138
30 CONTRACTED SERVICES		
Contracted Services	6 881 876	9 091 040
31 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	195 822	133 135
Audit fees	1 706 138	970 771
Bank charges	257 812	215 152
Consulting fees	2 523 762	3 696 181
Cleaning	59 720	49 567
Departmental consumption	769 327	681 896
Entertainment	29 559	94 518
Fuel and oil	1 282 957	1 160 190
Grants	69 346	77 089
Legal expenses	1 010 842	363 719
Licence fees	104 891	96 563
Membership fees	274 707	260 258
Postage	158 986	322 232
Printing and stationery	1 197 077	281 669
Rental of office buildings	-	65 772
Security costs	12 001	21 654
Skills development levies	378 931	273 526
Stocks and material	27 322	130 840
Subscription and publication	24 398	36 173
Telephone cost	520 329	432 440
Training	142 294	100 244
Travel and subsistence	388 645	627 084
Uniforms and overalls	11 294	135 242
Valuation costs	-	329
Other	25 721 734	28 746 640
	36 867 894	38 972 886

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
32 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	(791 924)	68 486
Total Gain / (Loss) on Sale of Assets	(791 924)	68 486
33 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	47 778 076	(58 837 326)
Adjustment for:-		
Depreciation and amortisation	23 823 725	21 060 804
(Gain) / loss on sale of assets	791 924	(68 486)
Finance costs	2 937 202	3 346 321
Interest earned	(12 903 107)	(12 387 224)
Other non-cash item	34 639 378	(10 377 490)
Operating surplus before working capital changes:	97 067 198	(57 263 402)
(Increase)/decrease in inventories	(227 693)	33 207
(Increase)/decrease in receivables	(7 743 688)	77 551 245
Increase/(decrease) in payables	(46 589 664)	26 283 044
Increase/(decrease) in consumer deposits	366 524	109 757
Cash generated by/(utilised in) operations	42 872 677	46 713 852
34 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	4 375 024	12 681 359
Short-term investment	673 430	25 809 797
Bank overdrafts	(21 209 710)	(9 593 188)
Net cash and cash equivalents (net of bank overdrafts)	(16 161 257)	28 897 969
35 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 17)		-
Used to finance property, plant and equipment – at cost		-
Cash invested for repayment of long-term liabilities		-
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act.		

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
36 CHANGE IN ACCOUNTING POLICY		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:		
None		
37 CORRECTION OF ERROR		
37.1		
During the 2010/2011 year the following adjustments were made to transactions whereby amounts were erroneously stated in previous financial period: The comparative amounts have been restated as follows:		
<u>Transactions affecting the Statement of Financial Position</u>		
Trade and other payables from exchange transactions		
Balance previously reported 2009/2010		48 288 722
Adjustment-Department of human settlement		2 835 067
Restated balance for 2009/2010 (note 11)		51 123 789
Cash and cash equivalents		
Balance previously reported 2009/2010		6 775 355
Adjustment-Current Account (Other Account)(Housing Project)		2 087 902
Adjustment-Current Account (Other Account)(Housing Development Fund)		27 551
Adjustment-Current Account (Other Account)(Tsweleng Housing)		621 139
Adjustment-Current Account (Other Account)(Kgakala Housing)		98 477
Restated balance for 2009/2010 (note 1)		9 610 423
37.2		
During the 2010/2011 year the following adjustments were made to classifications erroneously stated in previous financial period: The reclassifications are as follows:		
<u>Transactions affecting the Statement of Financial Position</u>		
Investments		
Balance previously reported 2009/2010		28 880 733
Reclassification as Cash and cash equivalents		
ABSA - 4055686261		-2 670 711
ABSA - 4052543232		-77 726
FNB - 62022159538		-2 718
ABSA - 9126643503		-262 680
ABSA - 4067021033		-7 467
ABSA - 9138622959		-49 634
Restated balance for 2009/2010 (note 5)		25 809 797
Cash and cash equivalents		
Balance previously reported 2009/2010		6 775 355
Correction of error amounts omitted- (note 37.1)		2 835 067
ABSA - 4055686261		2 670 711
ABSA - 4052543232		77 726
FNB - 62022159538		2 718
ABSA - 9126643503		262 680
ABSA - 4067021033		7 467
ABSA - 9138622959		49 634

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
Restated balance for 2009/2010 (note 1)		12 681 358
37 CORRECTION OF ERROR(cont.)		
Current provisions		
Balance previously reported 2009/2010		3 532 596
Reclassification as Trade and other payables from exchange transactions		(3 532 596)
Restated balance for 2009/2010		-
Trade and other payables from exchange transactions		
Balance previously reported 2009/2010		48 288 722
Correction of error amounts omitted- (note 37.1)		2 835 067
Leave provision (note 15)		3 532 596
Restated balance for 2009/2010 (note 11)		54 656 385
38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
38.1 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -		
Fruitless and wasteful expenditure current year	4 556 093	268 804
Interest and penalties on late payment of creditors	1 109 543	2 137 476
Appointment of 20 employees on 3 March 2008:CCMA settlement agreement		
Condoned or written off by Council		
Other		2 149 813
Fruitless and wasteful expenditure awaiting condonement	5 665 636	4 556 093
For more detail see Appendix F		
39 IN-KIND DONATIONS AND ASSISTANCE		
Members of the Internal Auditing Section of the Dr Kenneth Kaunda District Municipality render auditing assistance to the municipality at no cost. Two inspectors from the Environmental Health Department of the Dr Kenneth Kaunda District Municipality render a health service to the municipality at no cost.		
40 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
40.1 Contributions to organised local government		
Opening balance		-
Council subscriptions - SALGA	108 667	108 667
Amount paid - current	108 667	108 667
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
40.2 Audit fees		
Opening balance	530 830	910 243
Current year audit fee	1 792 818	2 389 480
Amount paid - current year	-	1 527 771
Amount paid - previous years	2 323 648	1 241 122
Balance unpaid (included in payables)	<u>-</u>	<u>530 830</u>

40.3 VAT

Municipality is on the Payment basis for VAT and submit monthly returns

40.4 PAYE and UIF

Opening balance		-
Current year payroll deductions and Council Contribution	5 895 903	4 744 751
Amount paid - current year	5 895 903	4 744 751
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

40.5 Pension and Medical Aid Deductions

Opening balance		-
Current year payroll deductions and Council Contributions	12 941 513	11 732 835
Amount paid - current year	12 941 513	11 732 835
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>

40.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding:

as at 30 June 2011

	-
N.L Tshingilane	1 519
K.S Seakane	17 125
M.S Sejese	19 217
O.H Botsietseng	5 873
N.W Ntiane	3 047
B.J Mahumapelo	14 697
	<u>61 478</u>

as at 30 June 2010

All councillors' debtor accounts were settled.

Total Councillor Allowances	<u>-</u>
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Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
41 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
- Approved and contracted for	87 165 295	61 971 601
Infrastructure	86 637 795	57 124 621
Community	140 000	1 265 000
Heritage		
Other	387 500	3 581 980
- Approved but not yet contracted for	2 214 916	6 206 500
Infrastructure	1 767 000	5 424 800
Community	50 000	80 200
Heritage		
Other	397 916	701 500
Total	89 380 211	68 178 101
 This expenditure will be financed from:		
- External Loans	-	
- MIG	42 857 292	29 169 773
- DBSA	-	370 000
- Government Grants	13 192 500	16 765 000
- Own resources	31 530 419	18 573 328
- District Council Grants	1 800 000	3 300 000
	89 380 211	68 178 101
42 LEASE LIABILITY		
Operating Leases: as at 30 June 2011	Present value of	Straight lined
Amounts payable under operating leases	minimum lease	present value of
	payments	minimum lease
	payments	payments
Within one year	888 810	764 820
Within two to five years	474 803	423 897
After 5 years	-	-
	1 363 613	1 188 717
Less: Amount due for settlement within 12 months (current portion)	888 810	764 820
	474 803	423 897

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
42 LEASE LIABILITY(cont.)		
Operating Leases: as at 30 June 2010		
Amounts payable under operating leases		
Within one year	985 320	953 788
Within two to five years	1 363 613	1 188 717
After 5 years		
	2 348 933	2 142 505
Less: Amount due for settlement within 12 months (current portion)		
	985 320	953 788
	1 363 613	1 188 717
43 EVENTS AFTER THE REPORTING DATE		
None		
44 COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix C		
45 RELATED PARTIES		
<u>Section 57 Managers:</u>	Refer note 25	
<u>Members of Council:</u>	Refer note 26	
<u>District Municipality</u>		
Dr Kenneth Kaunda District Municipality		
46 TRAFFIC FINES		
Traffic fines issued not yet recovered at year end.	12 519 180	11 101 440
<u>Accounting:</u>		
Average for 5 years 2005/6, 2006/7, 2006/7, 2007/8 and 2008/2010)	32.75%	
<u>Estimated debtor to be raised for spot fines:</u>		
Average for 2005/6, 2006/2007, 2007/8, 2008/2009 AND 2009/10 less average % collected to date for 2010/2011:		
32.75%-23.90%	8.85%	
Therefore: estimated recoverable amount		
R12 519 180*8.85%	1 107 947.43	

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
47 RISK MANAGEMENT		
Liquidity risk		
The municipality's risk to liquidity is a result of the funds available to cover future commitments.		
The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.		
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.		
Interest rate risk		
Deposits attract interest at rate that vary with prime. The municipality policy is to manage interest rate risk so that fluctuation in variable rates does not have a material impact on profit/loss.		
The municipality's income and operating cash are substantially independent of changes in market rates.		
The municipality has no significant interest bearing assets.		
Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit guarantee insurance is purchased when deemed appropriate.		
48 CONTINGENCIES		
Contingent liability		
Reequst for reresentation from leggal council regarding litigation and claims: R115 000.		
49 WORLD CUP EXPENDITURE		
2010 FIFA world cup expenditure for the year:		
Number of tickets acquired		-
Publicity costs, security expenses, entertainments, meals, travelling and accommodation expense		<u>2 272 807</u>
Total	none	<u><u>2 272 807</u></u>

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
50 IMPLEMENTATION OF GRAP ACCOUNTING STANDARDS		

The municipality has implemented the following effective GRAP accounting standards to the extent as mentioned:

GRAP 12 - Inventory

Progress till 30 June 2011

The identification of all municipal owned land / or municipal occupied as well as property for rental is in process.

Outstanding issues

Finalisation of identification and listing of all municipal owned land / or municipal occupied as well as property for rental.

Accounting for municipal stands available for resale. (Inventory)

Split of market values for municipal stands between site and improvement value

Update of asset register referring to investment property, inventory and property, plant and equipment and relevant split values

GRAP 16 - Investment Property

Progress till 30 June 2011

The identification of all municipal owned land / or municipal occupied as well as property for rental is in process. All movable assets were physically verified.

Outstanding issues

Split of market values for municipal stands between site and improvement value

Update of asset register with new split values.

GRAP 17 - Property, plant and equipment

Progress till 30 June 2011

All movable assets were physical verified and inventory lists with floor plans were affixed to all offices.

Outstanding issues

Unbundling of infrastructure for electricity, roads, water and sewer.

The carrying values of items of property, plant and equipment have not been adjusted with impairment losses as no impairment testing was done. The useful lives and residual values of assets classified as property, plant and equipment were not reviewed during the year under review. This is in line with the accounting policy applied in the previous financial year.

The depreciation method was not reviewed. The current year's accounting policy agrees with that applied in the previous financial year.

The assets in question were not assessed for possible impairment. This is in line with the accounting policy applied in the previous financial year.

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
ACCOUNTING STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE		
51		

The following standards are not yet effective and not yet adopted by the municipality:

- GRAP 18: Segment reporting
- GRAP 21: Impairment of non-cash generating assets
- GRAP 23: Revenue from non-exchange transactions
- GRAP 24: Presentation of Budget information in Financial Statements
- GRAP 103: Heritage assets
- GRAP 104: Financial instruments
- IFRIC 17: Distribution of non-cash assets to owners.

52 EMPLOYEE BENEFITS

Post-employment Health Care Benefits

Opening accrued liability	11 534 171	11 058 839
Total annual expense	1 343 229	1 320 315
Current-service cost	687 510	696 526
Interest Cost	1 045 323	982 553
Contributions (benefits paid)	(389 604)	(358 764)
Actuarial loss / gain		(844 983)
Closing accrued liability	12 877 400	11 534 171

The Projected Unit Credit Method has been used to value the liabilities

Key assumptions

Key financial assumptions

Assumption	Value p.a.
Discount rate	9.22%
Health care host inflation rate	7.27%
Net effective discount rate	1.82%

Key demographic assumptions

Assumption	Value
Average retirement age	60
Continuation of membership at retirement	90%
Proportion assumed married at retirement	90%
Proportion of eligible current non-member employee joining the scheme by retirement	20%
Mortality during employment	SA 85 - 90
Mortality post retirement	PA90-1
Withdrawal from service (sample annual rates)	Age
	20
	30
	40
	50
	>55

Females

24%

0

0

0

-

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R

52 EMPLOYEE BENEFITS(cont.)

The projections assume that the municipality's health care arrangements and subsidy policy will remain as outlined and that no contributions are made by the municipality towards prefunding its liability via an off-balance sheet vehicle.

Contributions or benefits paid refer to medical scheme contributions made by the municipality with respect to its subsidy of current continuation members

There are no Past Service Costs, Curtailments or Settlements to reflect.

Long Service awards

Opening accrued liability	1 411 998	1 154 346
Total annual expense	238 269	387 115
Current-service cost	187 563	182 977
Interest cost	124 449	101 216
Benefit vestings	(73 743)	102 922
Actuarial loss / gain		(129 463)
Closing accrued liability	1 650 267	1 411 998

The Projected Unit Credit Method has been used to value the liabilities.

Key assumptions

Key financial assumptions:

Assumption	Value p.a.
Discount rate	9.04%
Health care host inflation rate	6.34%
Net effective discount rate	2.54%

Key demographic assumption:

Assumption	Value
Average retirement age	60
Mortality during employment	SA 85 - 90
Withdrawal from service (sample annual rates)	Age
	20
	30
	40
	50
	>55

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the Employer towards prefunding its liability via an off-balance sheet vehicle.

There are no Past Service Costs, Curtailments or Settlements to reflect.

Full detail of actuarial valuation is available.

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
53 RESERVES RING-FENCED IN ACCUMULATED SURPLUS / (DEFICIT)		
Capitalization Reserve		
Opening balance 1 July 2010	510 962	
Surplus / (deficit) on revaluation of property of property, plant and equipment		
<i>Property plant and equipment purchases</i>		
<i>Depreciation</i>	(50 667)	
<i>Sale of asset</i>		
<i>Depreciation on sale of asset</i>		
Net gains and losses not recognised in the statement of financial performance		
Transfers to / from accumulated surplus/(deficit)		
Surplus / (deficit) for the period		
Balance at 30 June 2011	460 295	
Housing Development Fund		
Opening balance 1 July 2010	667 131	
Surplus / (deficit) on revaluation of property of property, plant and equipment		
Property plant and equipment purchases		
Depreciation		
Sale of asset		
Depreciation on sale of asset		
Net gains and losses not recognised in the statement of financial performance		
Transfers to / from accumulated surplus/(deficit)		
Surplus / (deficit) for the period		
Balance at 30 June 2011	667 131	
Government Grant reserve		
Opening balance 1 July 2010	344 154 469	
Surplus / (deficit) on revaluation of property of property, plant and equipment		
Property plant and equipment purchases	58 870 284	
Depreciation	(18 019 941)	
Sale of asset	(790 583)	
Depreciation on sale of asset		
Net gains and losses not recognised in the statement of financial performance		
Transfers to / from accumulated surplus/(deficit)		
Surplus / (deficit) for the period		
Balance at 30 June 2011	384 214 229	

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
53 RESERVES RING-FENCED IN ACCUMULATED SURPLUS / (DEFICIT)(cont.)		
Capital Replacement Reserve	-	-
Opening balance 1 July 2010	-	
Net gains and losses not recognised in the statement of financial performance		
Property plant and equipment purchases	(3 043 516)	
Depreciation		
Sale of asset		
Depreciation on sale of asset		
Net gains and losses not recognised in the statement of financial performance		
Transfers to / from accumulated surplus/(deficit)	3 043 516	
Surplus / (deficit) for the period	<hr/>	
Balance at 30 June 2011	-	
Capitalization Reserve		
Opening balance 1 July 2009	575 202	
Surplus / (deficit) on revaluation of property of property, plant and equipment		
<i>Property plant and equipment purchases</i>		
<i>Depreciation</i>	(51 138)	
<i>Sale of asset</i>	(13 102)	
<i>Depreciation on sale of asset</i>		
Net gains and losses not recognised in the statement of financial performance		
Transfers to / from accumulated surplus/(deficit)		
Surplus / (deficit) for the period	<hr/>	
Balance at 30 June 2010	510 962	
Housing Development Fund		
Opening balance 1 July 2009	667 131	
Surplus / (deficit) on revaluation of property of property, plant and equipment		
Property plant and equipment purchases		
Depreciation		
Sale of asset		
Depreciation on sale of asset		
Net gains and losses not recognised in the statement of financial performance		
Transfers to / from accumulated surplus/(deficit)		
Surplus / (deficit) for the period	<hr/>	
Balance at 30 June 2010	667 131	

Maquassi Hills Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

	2011	2010
	R	R
53 RESERVES RING-FENCED IN ACCUMULATED SURPLUS / (DEFICIT)(cont.)		
Government Grant reserve		
Opening balance 1 July 2009	326 335 244	
Surplus / (deficit) on revaluation of property of property, plant and equipment		
Property plant and equipment purchases	34 083 406	
Depreciation	(16 264 181)	
Sale of asset		
Depreciation on sale of asset		
Net gains and losses not recognised in the statement of financial performance		
Transfers to / from accumulated surplus/(deficit)		
Surplus / (deficit) for the period	<hr/>	
Balance at 30 June 2010	344 154 469	
Capital Replacement Reserve	-	-
Opening balance 1 July 2009	-	
Net gains and losses not recognised in the statement of financial performance		
Property plant and equipment purchases	(12 026 251)	
Depreciation		
Sale of asset		
Depreciation on sale of asset		
Net gains and losses not recognised in the statement of financial performance		
Transfers to / from accumulated surplus/(deficit)	12 026 251	
Surplus / (deficit) for the period	<hr/>	
Balance at 30 June 2010	-	
54 WATER DISTRIBUTION LOSS		

Distribution losses relate to unaccounted for water. These losses mainly arise from illegal connections to water networks, errors in billing, bridging of meters by consumers and ageing infrastructure. The total percentage loss for water is 36.97% (14.11 % for 2010)

Maquassi Hills Local Municipality
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
for the year ended 30 June 2011

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2010	Received during the period	Redeemed / written off during the period	Balance at 30 June 2011
			R	R	R	R
ANNUITY LOAN : DBSA						
1979 @ 11.00% 9	15579/9	2 010	-			-
1985 @ 13.75% 16	15249/101	2 014	325 847		56 616	269 230.63
1988 @ 13.75% 19	15249	2 014	170 938		34 648	136 290.34
1988 @ 16.12% 10		2 007	-			-
1989 @ 15.88% 11	15579/11	2 008	-			-
	102801_7 &					
2010 @ 5% 11	102801_8	2 029	53 500 000	4 730 631	7 500 000	50 730 631.45
			-			-
			-			-
			-			-
Vehicle Loan (R2,000,000)	102623/1		908 380		463 105	445 274.72
Sewer Loan (Kgakala)	10263/102		1 165 609		134 984	1 030 624.51
2008 @5% 20	102901/1	2 028	491 454		17 292	474 161.69
2008 @5% 15	102901/2	2013/2023	846 414		276 452	569 962.18
2008 @5% 15	102901/3	2013/2023	1 360 004		76 913	1 283 090.86
						-
Wesbank Loans			-			-
2006 Mayoral Vehicle prime less 1		2 006	-			-
2008 BMW		2 008	-			-
			-			-
			-			-
Annuity loans: ABSA			-			-
1999 @ 14.50%	INCA	2 013	24 370		7 016	17 353.65
TOTAL EXTERNAL LOANS			58 793 016	4 730 631	8 567 027	54 956 620

Maquassi Hills Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Land												
Land	5 223 942	-	-	-	5 223 942	-	-	-	-	-	-	-
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-
	5 223 942	-	-	-	5 223 942	-	-	-	-	-	-	-
Buildings	18 995 933	11 830 447	-	6 099 416	36 925 795	(3 676 354)	(1 227 264)	-	-	(4 903 618)	-	-
Infrastructure												
Drains	-	-	-	-	-	-	-	-	-	-	-	-
Roads	67 405 832	59 579 068	-	9 709 033	136 693 934	(9 387 458)	(3 688 398)	-	-	(13 075 856)	-	-
Sewerage Mains & Purification	85 526 176	470 588	-	9 505 704	95 502 468	(10 664 548)	(2 868 812)	-	-	(13 533 361)	-	-
Electricity Mains	7 748 497	-	-	-	7 748 497	(2 166 738)	(343 741)	-	-	(2 510 479)	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	261 501 718	11 795 415	-	-	273 297 133	(40 623 091)	(12 983 295)	-	-	(53 606 385)	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-
	422 182 223	71 845 072	-	19 214 737	513 242 032	(62 841 835)	(19 884 245)	-	-	(82 726 080)	-	-
Community Assets												
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	997 304	-	-	-	997 304	(166 217)	(33 243)	-	-	(199 461)	-	-
	997 304	-	-	-	997 304	(166 217)	(33 243)	-	-	(199 461)	-	-
Heritage Assets												
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artefacts	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	447 399 402	83 675 518	-	25 314 153	556 389 073	(66 684 406)	(21 144 753)	-	-	(87 829 159)	-	-

Maquassi Hills Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	447 399 402	83 675 518	-	25 314 153	556 389 073	(66 684 406)	(21 144 753)	-	-	(87 829 159)	-	-
Other Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2 407 949	64 396	-	-	2 472 344	(1 140 699)	(247 888)	-	-	(1 388 587)	-	-
Bins and Containers	630 980	-	-	-	630 980	(483 227)	(19 698)	-	-	(502 925)	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	14 289 095	148 861	(1 540 294)	-	12 897 662	(5 779 764)	(1 664 018)	751 810	-	(6 691 972)	-	-
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	2 702 886	197 607	(26 671)	-	2 873 821	(1 354 121)	(491 499)	24 572	-	(1 821 048)	440 789	(93 872)
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	2 162 920	9 125	(1 642)	-	2 170 403	(1 081 316)	(246 511)	301	-	(1 327 526)	-	-
	22 193 830	419 988	(1 568 607)	-	21 045 211	(9 839 127)	(2 669 614)	776 683	-	(11 732 058)	440 789	(93 872)
Finance Lease Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total	469 593 232	84 095 507	(1 568 607)	25 314 153	577 434 285	(76 523 533)	(23 814 367)	776 683	-	(99 561 217)	440 789	(93 872)

Maquassi Hills Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Land												
Land	5 223 942	-	-	-	5 223 942	-	-	-	-	-	-	-
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-
	5 223 942	-	-	-	5 223 942	-	-	-	-	-	-	-
Buildings	18 995 666	34 200	(33 932)	14 531 760	33 527 694	(3 048 194)	(648 991)	20 831	-	(3 676 354)	-	-
Infrastructure												
Drains	-	-	-	-	-	-	-	-	-	-	-	-
Roads	61 719 572	5 686 260	-	18 949 302	86 355 135	(6 449 615)	(2 937 843)	-	-	(9 387 458)	-	-
Sewerage Mains & Purification	72 824 539	12 701 636	-	2 248 060	87 774 235	(8 437 474)	(2 227 075)	-	-	(10 664 548)	-	-
Electricity Mains	7 561 105	187 392	-	-	7 748 497	(1 828 921)	(337 817)	-	-	(2 166 738)	-	-
Electricity Peak Load Equip	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	254 324 164	7 177 554	-	11 795 415	273 297 133	(28 301 178)	(12 321 912)	-	-	(40 623 091)	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-
	396 429 381	25 752 842	-	32 992 777	455 175 000	(45 017 188)	(17 824 647)	-	-	(62 841 835)	-	-
Community Assets												
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	997 304	-	-	-	997 304	(132 974)	(33 243)	-	-	(166 217)	-	-
	997 304	-	-	-	997 304	(132 974)	(33 243)	-	-	(166 217)	-	-
Heritage Assets												
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artefacts	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	421 646 293	25 787 042	(33 932)	47 524 537	494 923 939	(48 198 355)	(18 506 881)	20 831	-	(66 684 406)	-	-

Maquassi Hills Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	421 646 293	25 787 042	(33 932)	47 524 537	494 923 939	(48 198 355)	(18 506 881)	20 831	-	(66 684 406)	-	-
Other Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2 226 834	181 114	-	-	2 407 949	(913 182)	(227 516)	-	-	(1 140 699)	-	-
Bins and Containers	630 980	-	-	-	630 980	(463 528)	(19 698)	-	-	(483 227)	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	13 454 464	945 070	(110 439)	-	14 289 095	(4 232 604)	(1 583 972)	36 813	-	(5 779 764)	-	-
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	2 612 047	90 839	-	-	2 702 886	(957 668)	(390 712)	-	-	(1 348 380)	(6 754)	1 013
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	2 127 939	34 981	-	-	2 162 920	(842 355)	(238 961)	-	-	(1 081 316)	-	-
	21 052 264	1 252 005	(110 439)	-	22 193 830	(7 409 338)	(2 460 860)	36 813	-	(9 833 386)	(6 754)	1 013
Finance Lease Assets												
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total	442 698 557	27 039 046	(144 371)	47 524 537	517 117 769	(55 607 693)	(20 967 742)	57 644	-	(76 517 792)	(6 754)	1 013

Carrying Value
R
5 223 942
-
-
5 223 942
32 022 177
-
123 618 078
81 969 108
5 238 018
-
219 690 748
-
-
-
430 515 952
-
-
-
-
-
-
-
797 843
797 843
-
-
-
468 559 914

Carrying Value
R
468 559 914
-
1 083 758
128 055
-
6 205 690
-
-
1 399 690
-
842 877
9 660 070
-
-
-
478 219 984

Carrying Value
R
5 223 942
-
-
<hr/> 5 223 942
29 851 340
-
76 967 676
77 109 687
5 581 759
-
232 674 043
-
-
-
<hr/> 392 333 165
-
-
-
-
-
-
-
831 086
<hr/> 831 086
-
-
-
<hr/> 428 239 533

Carrying Value
R
428 239 533
-
1 267 250
147 753
-
8 509 331
-
-
1 348 765
-
1 081 604
12 354 703
-
-
-
440 594 236

Maquassi Hills Municipality

APPENDIX C

ACTUAL VERSUS BUDGET: (REVENUE AND EXPENDITURE)

for the year ended 30 June 2011

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance
Revenue				
Property rates	19 163 696	20 376 065	(1 212 369)	-5.95%
Service charges	84 504 890	71 736 080	12 768 810	17.80%
Rental of facilities and equipment	332 697	348 400	(15 703)	-4.51%
Interest earned - external investments	681 038	2 700 000	(2 018 962)	-74.78%
Interest earned - outstanding debtors	12 222 069	500 000	11 722 069	2344.41%
Dividends received	10 940	800	10 140	
Fines	6 771 041	6 201 500	569 541	9.18%
Licences and permits	8 854 783	7 703 000	1 151 783	14.95%
Government grants and subsidies	122 505 803	184 693 184	(62 187 381)	-33.67%
Other income	1 283 484	-1 074 727	2 358 211	-219.42%
Gains on disposal of property, plant and equipment	-		-	
Total revenue	256 330 442	293 184 302	(36 853 860)	(0)
Expenditure				
Employee cost wages / salaries	38 941 273	46 738 534	(7 797 261)	-16.68%
Employee cost social contributions	8 818 867	10 925 512	(2 106 645)	-19.28%
Remuneration Councillors	4 409 588	4 655 169	(245 581)	-5.28%
Debt impairment	50 554 103	23 666 900	26 887 203	113.61%
Depreciation	23 823 725	17 124 803	6 698 922	39.12%
Repairs and maintenance	2 082 094	3 447 397	(1 365 303)	-39.60%
Internal expense external borrowing	2 937 202	4 625 507	(1 688 306)	-36.50%
Bulk Purchases	32 443 821	35 833 824	(3 390 003)	-9.46%
Contracted Services	6 354 569	11 447 373	(5 092 804)	-44.49%
General expenses other	37 395 201	44 588 342	(7 193 141)	-16.13%
Loss on disposal of property, plant and equipment	791 924		791 924	
Total expenditure	208 552 366	203 053 361	5 499 005	2.71%
Surplus / (deficit)	47 778 076	90 130 941	(42 352 865)	100.00%

Maquassi Hills Municipality
APPENDIX D
SUPPLY CHAIN DEVIATIONS
for the year ended 30 June 2011

No.	Deviation	Contract value	Service Provider	Reason for deviation	Request date	Approval date	Department
1							
2							
3							
4							
5							
6							
11							
12							

Total value:

-

Maquassi Hills Local Municipality
APPENDIX E
SCHEDULE OF INVESTMENTS
for the year ended 30 June 2011

<i>No</i>	<i>Invested with:</i>	<i>Account No.</i>	<i>Balance</i>	<i>Invested</i>	<i>W/Drawn</i>	<i>Balance as at</i>	<i>Accrued</i>	<i>Interest</i>	
			<i>01-Jul-10</i>			<i>30-Jun-11</i>	<i>Interest</i>	<i>Received</i>	<i>Total Interest</i>
1	NEDBANK	7065000036	25 152 634.91	221 172.48	-25 373 807.39	-0.00	-	207 528.23	207 528.23
2	FNB	71093408436	256 735.60	20 975.29		277 710.89	15 125.99	7 125.85	22 251.84
3	ABSA	2057750696	360 000.00			360 000.00	243.42	22 623.29	22 866.71
4	SWK SHARES WOLM		7 433.00			7 433.00			
5	SWK SHARES LDS		9 051.00		-3 620.00	5 431.00			
6	SWK SHARES MQ		5 510.00		-2 204.00	3 306.00			
7	ABSA	2048670504	4 157.42	284.37		4 441.79	21.03	284.37	305.40
8	ABSA	2045602798	14 274.60	832.55		15 107.15	224.90	832.55	1 057.45
	TOTALS		25 809 796.53	243 264.69	-25 379 631.39	673 429.83	15 615.34	238 394.29	254 009.63

Maquassi Hills Local Municipality
APPENDIX F
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED
for the year ended 30 June 2011

REFERAL DATE	FINALISATION DATE	EMPLOYEE DETAILS	EMPLOYEE NUMBER	BRIEF DESCRIPTION OF EVENT	AMOUNT R	FINALIZED ACTION TAKEN
				Toshiba E 200 Photocopier - rental period terminated on 22 June 2009. Company never cancelled monthly rental debit order and municipality continued payments. Investigations alleged that the copier was replaced by another one. If proven correct a refund will be claimed from Samsung	R 105 193.68	Samsung was phoned on 19 May 2011. Awaiting response
				Gestetner 2615 Photocopier- rental period lapsed on 12 July 2007. The lease was cancelled but the wrong reference number was used. Fruitless expenditure is as follows: R3553.80 2007/8, R3553.80 2008/2009 and R3553.80 2009/2010.	R 9 352.11	Fintech responded that the rental was cancelled in October 2010 and that they will refund the monthly payments from November 2010 till March 2011. R295.16 was paid monthly. Refund will total to R1475.80
				Axial Plessey PABX system: rental period terminated on 31 March 2004 but debit order was not cancelled. Rental was eventually terminated and final debit order will go through during May 2011. Fruitless expenditure is as follows: R57451.44 2007/08, R557451.44 2008/09 and R57451.44 2009/2010.	R 151 187.70	Rental terminated in January 2011 and final debit order will be May 2011.
	30/8/2010	Mr Mokoto		Person was dismissed by the then Mayor. A case for unfair dismissal was referred to the CCMA. A settlement amount of R181 876 was rewarded to Mr Mokoto	R 181 876.00	Settlement amount was paid
	29/11/2010	Mr Mokoto		The CCMA rewarded a second settlement to Mr Mokoto again referring to the unfair dismissal.	R 73 781.00	2nd settlement amount was paid. The legal fees for the two CCMA hearing amounted to R 20 129
	29/11/2010			Legal fees for 2 CCMA hearings	R 20 129.00	The legal fees for the two CCMA hearing amounted to R 20 129 and was paid to Cheadle Thompson
	1/11/2010	Ms T. Smit		Ms Smit had a case regarding the level of her placement	R 16 854.00	CCMA Commissioner awarded R16 854 To Ms Smit

Maquassi Hills Local Municipality
APPENDIX F
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED
for the year ended 30 June 2011

REFERAL DATE	FINALISATION DATE	EMPLOYEE DETAILS	EMPLOYEE NUMBER	BRIEF DESCRIPTION OF EVENT	AMOUNT R	FINALIZED ACTION TAKEN
	21/01/2011	Simon Selete and Samuel Marupeng		A donation received from the ANC was utilised for their own personal activities. Legal fees and donation totals R125 965	R 125 965.00	Case is still pending
	21/01/2011	L. Ralegetho		Mr Ralegetho was suspended and the case was eventually referred to the Labour Court. The Court was in favour of Mr Ralegetho and he was re-instated. The legal fees charged by Cheadle Thompson for council and paid to Eric Louw by Council amounts to R88 725 and R0 212 respectively	R 178 937.00	Finalised. Mr Ralegetho reinstated
	8/2/2011	Mr Mapholi		Mr Mapholi committed council to pay labourers appointed by Innovative Extreme Developments. He had no mandate to such action.	R 120 792	Pending. A committee constituted from councillors was established per LC res 15/2011 taken during a council meeting held on 31 March 2011 This committee did not have any meeting yet and all cases referred to them for investigation are still pending. The Committee will have to be re-established as the Municipal Elections was held on 18 May 2011 and new councillors elected.
	01 October 2010	Mr Mapholi and representative from DBSA		Advertisement of tenders invited by persons. These tenders had no specifications or tender documents		Pending. A committee constituted from councillors was established per LC res 15/2011 taken during a council meeting held on 31 March 2011 This committee did not have any meeting yet and all cases referred to them for investigation are still pending. The Committee will have to be re-established as the Municipal Elections was held on 18 May 2011 and new councillors elected.
	Nov/Dec 2010			A special investigation by the Auditor General proofed that deviations from the SCM policy and procedures occurred during the allocation of the following tenders: Rulaganyang Sport Facility	R 1 190 948.00	Pending. A committee constituted from councillors was established per LC res 15/2011 taken during a council meeting held on 31 March 2011 This committee did not have any meeting yet and all cases referred to them for investigation are still pending. The Committee will have to be re-established as the Municipal Elections was held on 18 May 2011 and new councillors elected.

Maquassi Hills Local Municipality
APPENDIX F
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED
for the year ended 30 June 2011

REFERAL DATE	FINALISATION DATE	EMPLOYEE DETAILS	EMPLOYEE NUMBER	BRIEF DESCRIPTION OF EVENT	AMOUNT R	FINALIZED ACTION TAKEN
	Nov/Dec 2010			A special investigation by the Auditor General proofed that deviations from the SCM policy and procedures occurred during the allocation of the following tender: Boskuil Sport Facility	R 379 856.00	Pending. A committee constituted from councillors was established per LC res 15/2011 taken during a council meeting held on 31 March 2011 This committee did not have any meeting yet and all cases referred to them for investigation are still pending. The Committee will have to be re-established as the Municipal Elections was held on 18 May 2011 and new councillors elected.
	Nov/Dec 2010			A special investigation by the Auditor General proofed that deviations from the SCM policy and procedures occurred during the allocation of the following tender: Rulaganyang Sewer and Oxidation Ponds	R 2 000 000.00	Pending. A committee constituted from councillors was established per LC res 15/2011 taken during a council meeting held on 31 March 2011 This committee did not have any meeting yet and all cases referred to them for investigation are still pending. The Committee will have to be re-established as the Municipal Elections was held on 18 May 2011 and new councillors elected.
01 March 2011		Ms K.J. Bampihitile		Ms Bampihitile has a placement level case with municipality. The case was referred to the CCMA		Case is at CCMA level
		Ms K. Moilwa		Person was in a temporary capacity and overcharged a member of the public during the processing of a vehicle registration transaction.	R 875	Ms Moilwa is no more in the employ of the municipality and the R875 will have to be written off

TOTAL

R 4 555 746.49